



*Marketing and Business Management  
Practices of Texas Retail Florists*

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## Summary

A study conducted in Texas during the summer of 1958 indicates that the major problems of Texas retail florists are: difficulty in obtaining fresh cut flowers, lack of adequate delivery facilities at reasonable costs, poor purchasing procedures, inadequate business records, failure to keep abreast of developments and trends in the industry and lack of enthusiasm about the future of the industry.

Retail florists who participated were enthusiastic and cooperative and 85 percent of the retailers included in this study reported an increase in business during the 3 years previous to the study.

Most Texas retail florists are not interested in increasing their total volume of business if changes in present practices and policies are involved. They have made little effort to expand flower sales for personal use. If the present group does not attempt this expansion, growers and wholesalers may tend to find new retail outlets. This could lead to a further concentration of sales in relatively few companies at the retail level.



# *Marketing and Business Management Practices of Texas Retail Florists*

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AND R. E. ODOM\*

## *Background of Florist Business*

The retail florist acts as the main representative of the floriculture industry to the general public. For years he has been the customary retail outlet involved in distributing floral products. This places him in a very strategic position in the florist industry. Under the present market conditions, the prosperity of growers and wholesalers of floral products depends almost entirely on the success of retail florists.

Most retail florist establishments in the United States are independently operated. About 85 percent, as compared with 82 percent of all types of retail stores, had annual sales of less than \$50,000 in 1954.

Many of the procedures followed by retail florists in the management of their business are unusual when compared with the procedures practiced by most other types of retail establishments. The following are examples:

1. Most retail establishments distribute manufactured products, but the retail florist arranges, or makes up, a large percentage of the products sold for a specific purpose.
2. Their products and services are supplied on telegraphed orders.
3. Most of the products handled are highly perishable and inventories can be held without spoiling only for a limited period.
4. Since most of the business is transacted by telephone and telegraph, sales are made largely on a credit basis.

The traditional demand for floral products has been the result of long established customs and has

depended on funerals, holidays, weddings, illnesses, births and social functions. Changes in the pattern of the public's tastes have reduced the demand for flowers for these purposes. Many organizations have encouraged the donation of funds to charity in place of sending flowers for funerals. Candy, personal accessories and items of clothing have been substituted for flowers as gifts.

The average retail florist uses little advertising. The individual business is usually too small to finance an extensive or adequate promotional program, and up to the present time, producers of floral products have failed to provide the complementary national advertising.

The retail florists have not developed a demand for flowers for decorative purposes in the home and generally have not made such flowers and plants readily available in their stores. This has created an opportunity for large volume retail outlets other than florists to introduce flowers and plants by displaying them in areas of heavy shopping traffic and developing impulse sales. This has further increased the number of retail outlets selling flowers in a given area. Since the traditional types of demand for flowers have decreased while other retail outlets have taken the lead in developing the new demand, the retail florists face the possibility of significant declines in their share of total flower sales.

Fundamental changes in flower production, distribution and marketing below the retail level have taken place in the past 10 or 12 years. For many years a stable pattern of production and marketing existed within the florist industry, and almost no outside influences appeared to disrupt this pattern. The development of air transport to the point where time and distance are no longer significant barriers destroyed this stability. This change in transportation made past production and marketing practices obsolete almost overnight. A few producers recognized its tremendous impact, but many failed to and did not make the necessary adjustments. More recently the increased use of long-distance trucking

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for transportation of florist products has added to this marketing confusion.

These changes in time and distance relationships have brought about inevitable changes in the location of production areas. Large areas of outdoor cut-flower production have developed rapidly in Florida and California. More recently this type of production has expanded into the arid areas of the Southwest, to outlying islands and to foreign countries. The flow of flowers and plants from these regions into the major continental U. S. flower markets, in addition to local supplies, has been both unplanned and uncontrolled. This has resulted in glutted markets and created unstable price conditions and often lower profits for growers.

The market instability has resulted in a relative decline of revenues in production and marketing. There has been a corresponding pressure on retailers to increase sales to the consumer and an increased interest in new marketing methods. For the past few years research workers, who have been directing their efforts toward the solution of problems within the florist industry, have placed more emphasis on the economics of floriculture.

This study has been conducted to provide information which will assist the industry in solving these marketing problems. Its objectives are to provide an analysis of:

1. The method and procedures followed in marketing florists' products in Texas retail flower shops.
2. The business management practices followed by Texas retail florists.

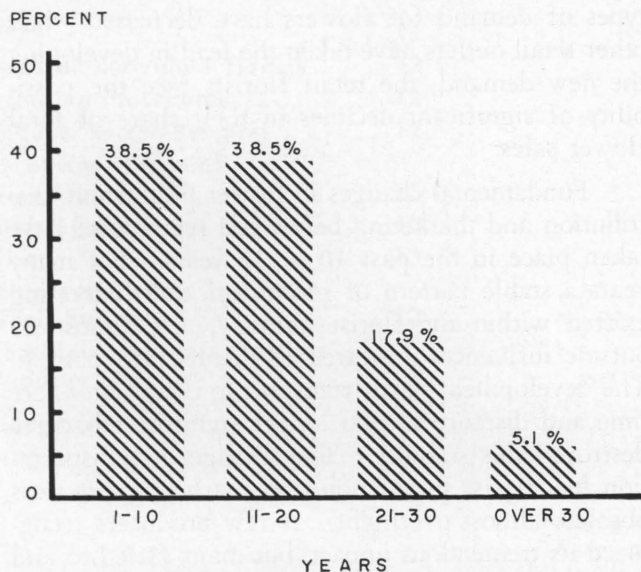


Figure 1. Percentage distribution of retail florists interviewed, by the number of years in business.

3. The economic status of the retail florist in Texas.
4. The special problems of Texas retail florists.

## Procedures

In January 1958, a group of 575 retail florists in Texas was mailed an outline of the proposed project and a postage-paid reply card. They were provided a guide to business management principles and offered assistance on those practices that could be provided by personnel during the interview. Cooperation was encouraged by previous mailings and advance information about the project.

Forty-six retail florists, well distributed geographically throughout Texas, indicated a willingness to cooperate in this project and an interest in receiving guidance in good business management practices. The results of the survey reflect the practices of the 46 retailers who were most actively aware of the problems of this area.

A questionnaire was prepared, pretested and mailed to each participating florist in advance of the personal visit, and used as a guide for the later interview. A workbook on "Good Business Management Practices for Retail Florists", was prepared and delivered to each participant at the time of the interview.

## Results of Study and Discussion

### NUMBER, SIZE AND LOCATION OF SHOPS

Information collected during this study and from other sources indicates that there are more than 1,400 retail florists located in about 420 Texas cities.

The individual florist in this study had been in the retail florist business 1 to 30 years. More than 61 percent of the firms have had 10 or more years of experience in the retail florist business, thus indicating a considerable amount of experience in the field. The average number of years in business for the firms responding to that question was 16 years. The percentage distribution by number of years in business is shown in Figure 1.

The typical retail flower shop has a relatively low volume of sales with a high markup on the cost of the flowers. This apparent high markup on cost is a result of the design and assembly activities performed in the florist shop and a belief by retailers that the demand for flowers for funerals and wed-



dings, which makes up a large percentage of a store's total sales, is not responsive to price changes. This, plus the relatively small amount of capital required to establish a retail flower shop, has resulted in a large number of highly specialized retail florist outlets and correspondingly low average profits per unit of operation.

Of the firms in this study, 36 percent did a net sales volume of less than \$30,000 per year. Thirty-six percent of the firms reported more than \$30,000, but less than \$50,000 per year, and 28 percent reported more than \$50,000. The average annual volume of sales per store was approximately \$60,000. These characteristics of the group interviewed are roughly the same as those for all retail florists in Texas, as shown by the 1954 Census of Business in Table 1.

The largest proportion of the sales of retail flowers in Texas are sold by a relatively small number of stores. In 1954, 64 percent of the sales were made by a little over one-fourth of the retail stores, and less than one-half of these shops made three-fourths of the sales. This pattern of concentration remained approximately the same for Texas between the 1948 and the 1954 census. During the same period, the pattern of concentration for the United States tended to decrease. This has resulted in a greater concentration of retail flower sales in Texas than in the whole nation.

The location of a flower shop is of minor importance as it is a retail business which primarily serves the demand created by special occasion buying. Such purchases usually involve a planned visit to a retail florist store or only a telephone call. In general, only necessary or urgent occasions will justify a special trip to the shop.

A very small portion of the average retail florist's business is based on "drop in" or transient trade. The majority of retail flower shops have only a very small volume of traffic through their shops. This is a major obstacle in the way of developing more aggressive merchandizing practices in order to increase casual or impulse purchases. For this type of trade, location becomes more important than it does for special occasion purchases, and will require much greater emphasis as these sales are developed.

## SEASONAL CHANGES IN RETAIL SALES

The dollar volume of retail flower shop sales was the lowest in the late summer and early fall; during the three winter months, it was 25 percent higher than during the three summer months. This was primarily due to an appreciable decrease in the seasonal demand because of fewer social occasions, vacation travel, and in some areas, increased quantity of homegrown flowers.

When participating retail florists were asked to estimate the number of sales on a daily, weekly, or monthly basis, the highest estimate was on a monthly basis and the lowest estimate was on a weekly basis. As these estimates were made during the summer when sales are usually low, this would seem to indicate that the retailer's impressions of his sales volume on a weekly and daily basis are influenced more by his most recent experiences than his estimates on a monthly basis. The average estimates are shown in Table 2. The range of difference in these estimates pointed up the danger of a retailer attempting to make decisions upon the basis of memory rather than on an accurate record of his business.

TABLE 1. RETAIL FLORISTS IN TEXAS AND THE UNITED STATES CLASSIFIED BY SALES VOLUME PER ESTABLISHMENT AND THE PERCENTAGE OF TOTAL SALES BY EACH GROUP, 1948 AND 1954<sup>1</sup>

Volume of sales per establishment (\$1,000)	1948				1954			
	U. S.		Texas		U. S.		Texas	
	Establishments	Sales	Establishments	Sales	Establishments	Sales	Establishments	Sales
	Percent							
\$300 and over	.2	4			.3	4	.2	5
100-299	2.9	16	3	17	3.6	17	2.0	11
50-99	11.4	28	11	30	12.0	26	9.1	25
30-49	15.8	21	12	18	17.9	22	15.3	23
20-29	15.5	13	15	14	17.7	14	14.6	14
10-19	24.5	13	24	14	26.1	12	27.7	16
Less than 10	29.7	5	35	7	22.4	5	31.1	6
Total	100.0	100	100	100	100.0	100	100.0	100

<sup>1</sup>Source: Bureau of the Census.



**TABLE 2. AVERAGE VALUE OF SALES REPORTED FOR VARIOUS PERIODS BY TEXAS RETAIL FLORISTS, 1958**

Sales period	Average price per sale, dollars
Daily	6.54
Weekly	5.74
Monthly	7.80

### DISTRIBUTION OF SALES FOR VARIOUS USES

The major part of flower sales in retail shops in Texas was for functions where the use of flowers conforms to old established customs. The use of flowers for funerals, births, weddings and illnesses accounted for approximately 76 percent of all sales. Flowers for funerals accounted for one-half of the total sales made by retail shops. This substantiates the opinion of most retail florist that the funeral business has been the mainstay of the industry.

The next largest class was sales of flowers sent to hospitals for births and illnesses and accounted for 20 percent of the total volume. Wedding flowers were responsible for 7 percent of the total, and flowers and plants for gifts at holidays and other occasions accounted for another 20 percent. Therefore, 10 percent of the total volume of sales of the retail flower shop were not accounted for by established customs which more or less dictate the use of flowers rather than other products.

None of the shops reported sales of flowers or plants for everyday use in the home, although two of the firms interviewed classed 2.5 percent of their sales as flowers and plants supplied for parties. The percentage of distribution of sales by purpose in all retail shops is shown in Table 3.

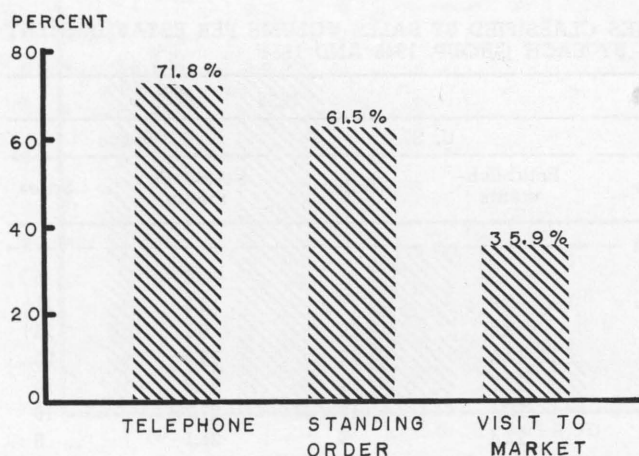


Figure 2. Percent of firms reporting various methods of purchasing cut flowers and pot plants, retail flower shops, 1958.

Approximately three-fourths of all purchases in the retail flower shops were cut flowers and the remaining one-fourth was potted plants. The possibilities of expanding these types of sales for funerals and weddings were limited. This means that the possibility of increasing the average total sales per retail unit can be achieved only by a decrease in the number of retail stores or an increase in the volume of the sales of flowers for other uses, such as home decoration.

### PURCHASING PROCEDURES

Few Texas retailers make a majority of their purchases by personal selection through visits to the market. Only about one-third of the florists interviewed made daily purchases, and most of these purchased both cut flowers and potted plants either on standing orders or by telephone. The methods used in purchasing cut flowers and potted plants are shown in Figure 2.

Retailers who do not visit wholesale flower markets often enough to know actual market conditions use the following methods in determining the prices they should pay for the products purchased: review of prices in trade papers, comparison of prices of various wholesalers, telephoning and questioning other florists about prices they paid. Some made no attempt to compare wholesale prices.

Purchases of cut flowers were about equally distributed between Texas wholesale florists and wholesale firms outside of the State, while the majority of potted plants are purchased from Texas growers. Sources and distribution of purchases of cut flowers, potted plants and retail florists' supplies are shown in Table 4.

During 1958 California furnished about 43 percent of the imported cut flowers, Colorado furnished 30 percent and Florida furnished 24 percent, Figure 3. The supply of out-of-state potted plants came from Oklahoma which supplied about 44 per-

**TABLE 3. PERCENTAGE DISTRIBUTION OF SALE FOR VARIOUS USES AND TYPES, RETAIL FLOWER SHOP, 1958**

Type of sale	Percent
Funeral work	49.4
Hospitals	20.2
Holidays	14.0
Gifts and accessories	7.0
Weddings	6.9
Parties	2.5
Total	100.0



TABLE 4. SOURCE AND DISTRIBUTION OF PURCHASES OF CUT FLOWERS, POT PLANTS AND SUPPLIES, RETAIL FLOWER SHOPS, 1958

Source of purchase	Distribution of purchases		
	Cut flowers	Pot plants	Supplies
	— — —	Percent — — —	
Local grower or wholesalers	27.5	38.7	27.4
Texas growers and wholesalers	31.9	43.6	38.7
Out-of-state growers and wholesalers	40.6	17.7	33.9

cent, followed by California and Colorado. Florist supplies from out-of-state came primarily from the large supply houses in northern and eastern cities, such as Chicago and New York, and the State of California.

GREENHOUSE OPERATIONS

Twenty percent of the retail florists interviewed reported that they operated greenhouse facilities in connection with their retail business. The extent of these greenhouse operations is shown in Figure 4. Greenhouse facilities were used for more than one type of production. The operator usually produced pot plants, cut flowers and nursery stock or a combination of these. In most instances the greenhouse

operation was not adequate to supply the entire needs of the retail shop.

Forty-six percent of the retail florists with greenhouse facilities produced pot plants. Wholesale greenhouse production may be a minor phase of their business, but 45 percent reported wholesale sales. Forty percent produced some nursery stock and about one-fourth produced some of their cut flowers.

Caladiums, hydrangeas and chrysanthemums were the crops most widely produced in the greenhouse facilities of retail growers. They represented 38.4 percent of the total production of 16 types, Table 5.

LACK OF PRICE COMPETITION

Since 76 percent of total sales in retail shops are motivated primarily by established social custom, flowers are sold for specific occasions and almost always are sold in the form of arrangements. The fundamental motivations involved are the desire to conform to custom, to show affection, to express sympathy, to please, to surprise, to impress, or simply to achieve the satisfaction of giving. In these situations, buyers give little consideration to

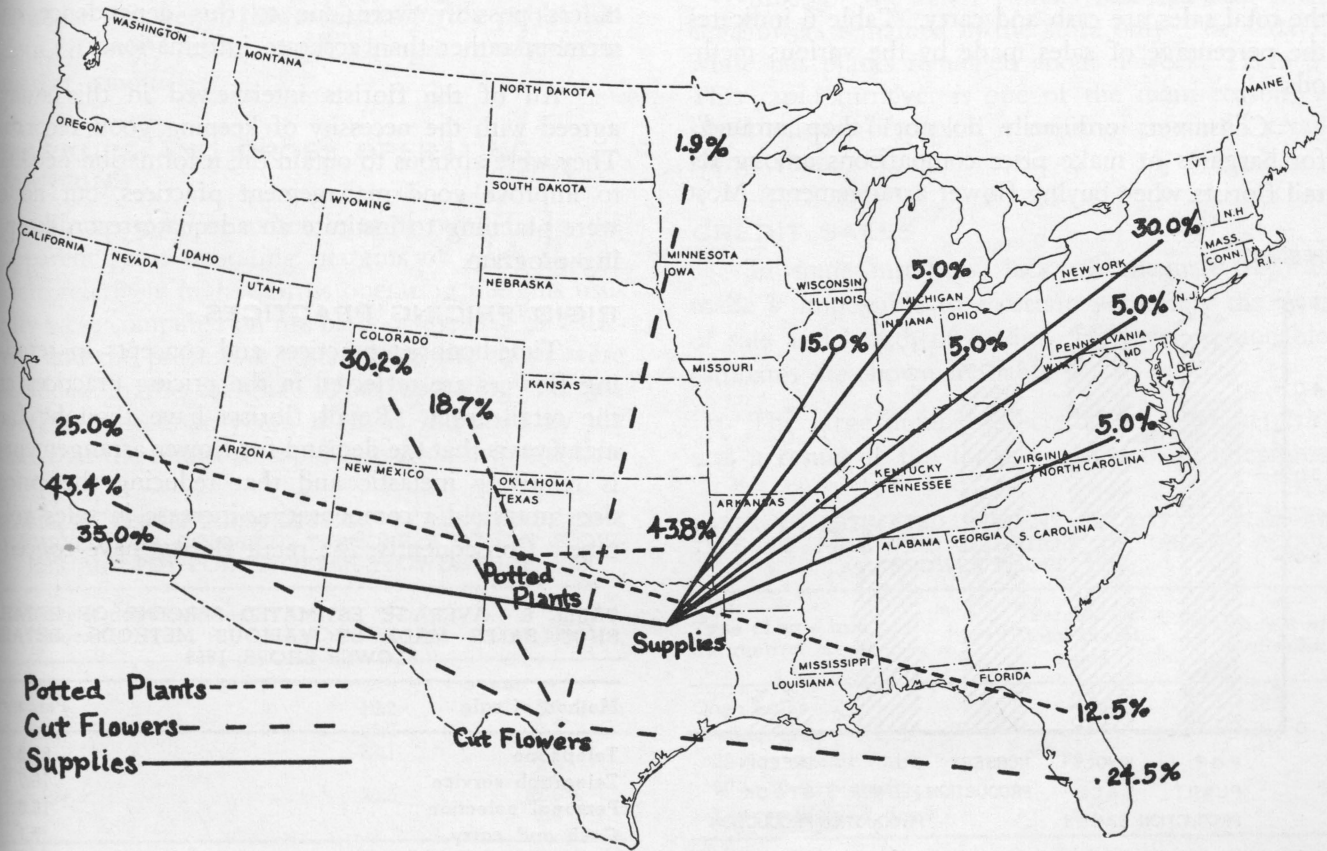


Figure 3. Distribution of imports, cut flowers, potted plants and supplies to Texas retail florists, 1958.



TABLE 5. TYPES OF PLANTS PRODUCED IN GREENHOUSES, RETAIL FLOWER SHOPS, 1958

Types of plants	Percent of total
Caladiums	15.4
Hydrangeas	11.4
Chrysanthemums	11.4
Foliage plants	7.6
Azaleas	7.6
Lilies	7.6
Ivy	3.9
Geraniums	3.9
Coleus	3.9
Gloxinias	3.9
Hyacinths	3.9
Tulips	3.9
Daffodils	3.9
Callas	3.9
Poinsettias	3.9
Cyclamen	3.9
Total	100.0

such factors as economy, dependability, or adaptability.

The majority of the sales are made by telephone or telegram, and the purchaser has little opportunity to make a personal selection. About 11 percent of all purchases are made through personal selection by the consumer, and only 7 percent of the total sales are cash and carry. Table 6 indicates the percentage of sales made by the various methods.

Consumers ordinarily do not "shop around" for bargains or make price comparisons among retail florists when buying flower arrangements. Most

PERCENT

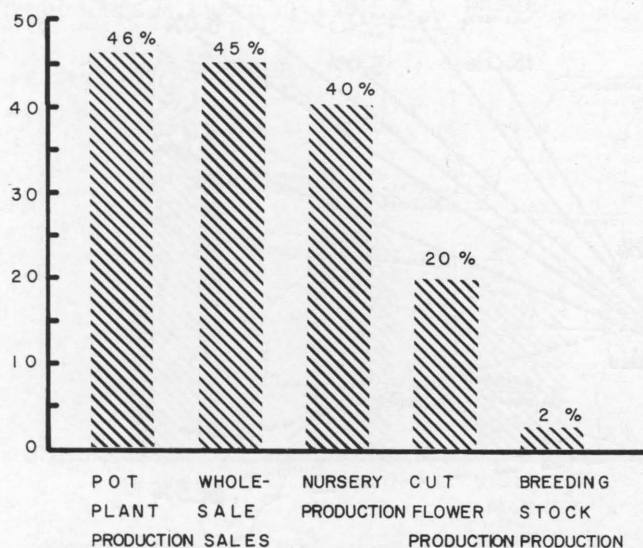


Figure 4. Percentage of reporting firms performing types of greenhouse operations, retail flower shops, 1958.

consumers patronize a retail florist because of the location of the shop, credit facilities, delivery service, or for personal reasons, which reputedly included the artistry provided in the arrangements. This indicates that whatever competition exists among retail florists is based more on service than on price.

It would be extremely difficult for consumers to compare price or quality among retail florists even if they wanted to. Arrangements prepared by different retail florists seldom are identical. Most flowers are not graded or priced uniformly by retail florists according to standards of quality, and consumers have little knowledge of floral quality. As a result, many flowers are purchased on the basis of the purpose of purchase and the maximum expenditure required, rather than the suitability of various flowers and their unit prices.

#### LACK OF ADEQUATE RECORDS

More than 85 percent of firms participating in the study reported that they keep their own books, and 75 percent stated that they did not keep stock records. Most of the cooperating retailers seemed to depend on memory for the information necessary to make business decisions. Some of the poor practices and the poor profit positions of many retailers possibly were due to this dependence on memory rather than accurate information.

All of the florists interviewed in this study agreed with the necessity of keeping good records. They were anxious to obtain the information needed to improve good management practices, but none were planning to institute an adequate record-keeping program.

#### RIGID PRICING PRACTICES

Time-honored practices and concepts in retailing flowers are reflected in the pricing practices at the retail level. Retail florists have thought for many years that the demand for flower arrangements is relatively inelastic and that reducing the price does not yield a compensating increase in sales volume. Consequently, the retail florists have concen-

TABLE 6. AVERAGE ESTIMATED PERCENT OF RETAIL SHOP SALES MADE BY VARIOUS METHODS, RETAIL FLOWER SHOPS, 1958

Method of sale	Percent <sup>1</sup>
Telephone	81.9
Telegraph service	16.7
Personal selection	10.9
Cash and carry	7.1

<sup>1</sup>Percentage nonadditive because of overlapping sales.

TABLE 7. DISTRIBUTION OF VARIOUS MARKUP USED FOR CUT FLOWERS, POT PLANTS, DESIGN WORK, GIFTS AND ACCESSORIES, RETAIL FLOWER SHOPS, 1958

Markups used	Cut flowers	Pot plants	Design work	Gifts and accessories
	Percent			
No markup			35.5	
Cost plus			19.4	
Looks		2.6		
20 percent			32.2	
25 percent			3.2	
33 1/3 percent			6.5	
50 percent	5.4	5.1		5.3
66 2/3 percent	2.6	2.6		
75 percent			3.2	
1 1/2 to 1				2.6
2 to 1	2.6	30.7		89.5
2, 3 to 1	2.6	2.6		
2 1/2 to 1		5.1		2.6
2 1/2, 3 to 1	2.6	2.6		
3 to 1	81.6	46.1		
3, 4 to 1		2.6		
4 to 1	2.6			
Total	100.0	100.0	100.0	100.0

trated on serving this demand by selling flowers with services attached and by maintaining a constant selling price throughout the year, except during holidays. At this time the seasonal demand increases greatly and the regular prices are raised. Because of this, retail flower prices to the public seldom, if ever, reflect major changes in wholesale market conditions.

### MARKUPS AND GROSS OPERATING MARGINS

Compared with other lines of retail trade, the apparent gross operating margins of retail florists were relatively high. Gross operating margins usually were computed on the basis of the cost of flowers, and the processing costs within the shops were included in the margins. That operating margins were not necessarily too high, is indicated by the fact that the return to capital invested in retail flor-

TABLE 8. PERCENT DISTRIBUTION OF LENGTH OF TIME REQUIRED FOR COMPLETE TURNS OF CUT FLOWERS AND POT PLANTS, RETAIL FLOWER SHOP, 1958

Number of days reported for turnovers	Cut flowers	Pot plants
	Percent	
2	10.2	5.7
3	46.2	17.1
3-4	23.1	8.6
5		2.9
Weekly	20.5	62.8
10		2.9
Total	100.0	100.0

ist shops is in line with other types of retail business.

The retail florists were asked to state the markup they used for cut flowers, pot plants, design work and gifts and accessories. The distribution of markups is shown in Table 7. The markup for cut flowers ranged from 50 to 400 percent. Eighty-two percent indicated a markup of 300 percent. A three to one markup on pot plants was most frequently mentioned. Forty-six percent used this markup and 32 percent reported a markup of two to one. Some used appearance as a means of figuring how much they could charge for an arrangement. There was less variation in the markup of gifts and accessories. A two to one markup represented the choice of over 89 percent of the firms interviewed.

The markup for design work seemed to cause the most confusion. Nineteen percent stated they used a cost-plus basis, but they did not, or could not, explain their method. While more than 35 percent did not use a markup charge for design work, a 20 percent markup charge for design was mentioned most frequently.

### STOCK TURNOVER

Most of the retail florists reported that their cut flowers remained in the store only 3 or 4 days, while pot plants remained about a week, Table 8. This rapid turnover is one of the main reasons a small amount of capital is required to start a retail florist shop.

### CREDIT SALES

In some instances, lack of adequate records made it impossible to ascertain accurately the type of sale and length of credit. However, reasonable estimates are shown in Table 9.

The large number of credit sales, 83 percent, was a result of the large proportion of telephone

TABLE 9. ESTIMATED PERCENT OF TOTAL SALES BY TYPE OF SALE AND DURATION OF CREDIT, RETAIL FLOWER SHOPS, 1958

Type of sale and duration of credit	Percent of total credit sales	Percent of total sales
Cash sales		16.9
Credit sales		83.1
30-day credit	73.1	
60-to-90-day credit	22.2	
Longer than 90 days	4.7	
Total	100.0	100.0



PERCENT

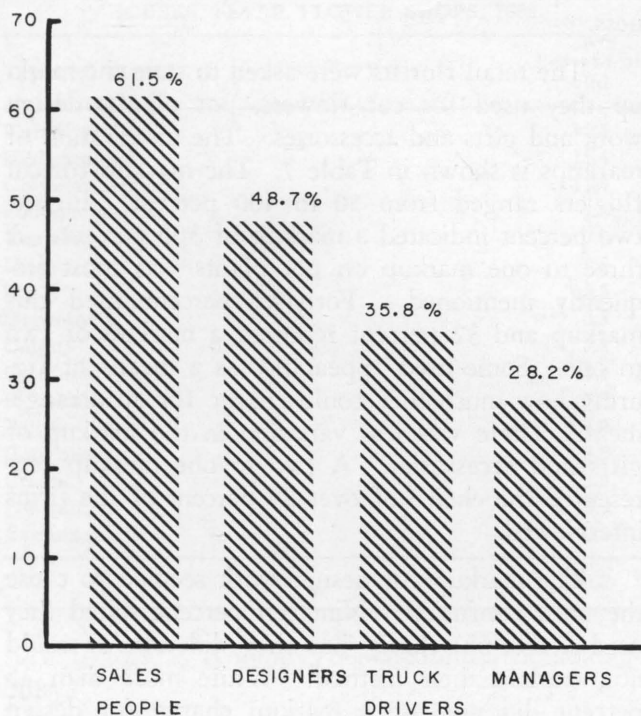


Figure 5. Percentage of firms reporting employees in selected job classifications, retail flower shops, 1958.

sales. About 70 percent of the accounts were a month old or older, while 21 percent were from 2 to 3 months old. Unless a retailer had sufficient working capital, he was forced to finance this customer credit by the use of bank loans or by borrowing from his suppliers by not taking cash discounts, a particularly expensive source of funds.

### TYPES OF EMPLOYEES

The employment of sales people was reported by 61 percent of the firms interviewed. The other major class of employee was designer, which was reported by 49 percent of the firms as shown in Figure 5. A number of firms reported that employees did various types of work in addition to the major function for which they were employed.

### DISTRIBUTION OF EXPENSES

Because of inadequate records in some cases and reluctance of participating retailers to divulge the necessary information in other cases, the results shown in Tables 10 and 11 are based on information obtained from only 17 of the participating firms.

Table 10 shows the average distribution of expenses as a percentage of net sales grouped by the annual sales volume of the individual shop. The table was constructed from the income statement accounts for all firms in each sales volume class and

calculating the percentages on the basis of these totals. This method gives a rough average for all firms in the class approximately weighted by sales volume. Some records of the individual firms did not show a breakdown as complete as that in Table 10. Purchases of flowers and supplies were not shown separately and the owner's compensation was not always available. The combined percentages were based on all reporting firms, while the percentages for the above mentioned individual items

TABLE 10. AVERAGE DISTRIBUTION OF EXPENSES AS A PERCENTAGE OF NET SALES BY ANNUAL SALES, TEXAS RETAIL FLORISTS, 1958

Items	Annual sales			
	More than \$100,000	\$40,000 to \$100,000	\$30,000 to \$39,000	Less than \$30,000
Percent				
<b>NET SALES</b>				
Gross sales	100	100	100	100
Flower purchases <sup>1</sup>	( 37	( 43	40	( 44
Supplies <sup>1</sup>	( 40	( 48		( 49
	( 3	( 5		( 5
Gross profit	63	52	60	51
<b>EXPENSES</b>				
Employee's wages	19	17	8	4 (7) <sup>2</sup>
Occupancy <sup>3</sup>	5	5 (7) <sup>2</sup>	8	9
Advertising	3	3	3	2
Delivery	3	3	3	5
Bad debt	1	1	(.5) <sup>4</sup>	(.3) <sup>4</sup> (.8) <sup>2</sup>
All other expenses <sup>5</sup>	11	8 (10) <sup>2</sup>	14	9
Managers wages <sup>1</sup>	( 7	( 12	( 11	( 16
Income before taxes less managers wages <sup>1</sup>	( 18	( 15	( 24	( 22
	( 11	( 3	( 13	( 6
Total expenses including managers wages	49	25	25	13
Total expenses excluding managers wages	42	37	36	29

<sup>1</sup>Combined percentages based upon all reporting firms; individual percentages are consistent with the proportions reported by those firms whose records show such a breakdown.

<sup>2</sup>These items were reported as zero by some firms. Figures in parenthesis show percentages based only on the sales of reporting firms.

<sup>3</sup>The expense of occupying a building, whether rented or owned.

<sup>4</sup>Not included in total; shown for information only.

<sup>5</sup>Residue of expense items such as depreciation on store fixtures and equipment, professional services, maintenance of store equipment, commissions paid on incoming telegraph orders; also all taxes except sales, property and income taxes.

are based on the proportions of those firms whose records showed such a breakdown. The same information was shown in Table 11, except as a percentage of total expenses. Owner's compensation was included as an expense item.

The number of firms included in the study is too small to be highly representative of the information in Tables 10 and 11. However, it probably is reliable enough to be used as a general guide to florist retailers in evaluating their own operations and as a basis for general information.

General expenses appear to be fairly uniform for all four groups of firms with the exception of employee's wages and occupancy expenses. Occupancy expense tends to increase as volume falls, showing that there is a rough minimum amount of space used to conduct a retail flower business within very broad classes of sales volume.

Employee's wages tend to rise and owner's compensation to fall as sales volume increases. In the larger volume operations the actual day-to-day operations of the business tend to be left to employees, leaving the owner-manager more time for planning.

## SHOP APPEARANCE AND IMPRESSION

In addition to the information obtained by interviews and questionnaires, visual observations were made of the shops visited. Since appearance and impression are important in retail selling, the store owner or manager should be aware of the impression his shop, his management practices and his personnel make on a customer.

These observations were based on all of the interviews and do not pertain to any specific shop. The following points are discussed separately: identification, shop appearance, pricing, promotion and attitude.

*Identification.* Some shops were difficult to locate or recognize because there were no identifying signs, the signs were too small to be seen easily, or the signs were obscured from view by other buildings or plants. Other advertising signs needed painting and repairing and gave the impression of unsuccessful businesses.

*Shop Appearance.* The shop fronts and window displays frequently gave a poor impression. Several fronts needed repairing and painting, windows needed washing and window displays were either entirely lacking, inadequate, cluttered or old. Parking facilities, when they existed, were inadequate to handle a sufficient number of cars. Some

parking areas needed surfacing to keep the customers out of the mud during bad weather.

Some stores needed painting and repairing on the inside as well as the outside. The sales areas were cluttered and it was difficult to move around without knocking something over. Inadequate lighting gave some stores a dingy appearance.

Merchandise was not attractively displayed. Old damaged plants and flowers were intermingled with fresh stock in display refrigerators and on the selling floor. This gave the impression that the entire stock was of poor quality.

*Prices.* Few of the stores visited had the prices for merchandise displayed, therefore, a customer had to ask for this information. Some customers seemed to receive the impression that the salesperson did not know the correct price and merely quoted one, hoping that it would be satisfactory.

*Promotion and Display.* In some shops which used flower arrangements for display purposes, the arrangements were poor, creating the impression that the proprietor did not know, or care, how they looked.

There was no evidence of any attempt at promotion in some shops. A few stores had discarded various ideas of promotion before they had been given an adequate trial.

*Attitude.* A number of the sales personnel and owners seemed extremely indifferent. They appeared slovenly and gave inadequate answers to customers' questions.

TABLE 11. AVERAGE DISTRIBUTION OF EXPENSES AS A PERCENTAGE OF TOTAL EXPENSES BY ANNUAL SALES, TEXAS RETAIL FLORISTS, 1958

Expense items	Annual sales			
	More than \$100,000	\$40,000 to \$100,000	\$30,000 to \$39,000	Less than \$30,000
	Percent			
Flower purchase	42	44		47
Supplies	4	5	46	5
Employee's wages	21	18	9	4
Occupancy <sup>1</sup>	6	5	9	10
Advertising	3	3	4	2
Delivery	3	3	3	5
Bad debt	1	1	(.6) <sup>2</sup>	(.3) <sup>2</sup>
Other	12	8	16	10
Managers wages <sup>3</sup>	8	13	13	17
Total expenses	100	100	100	100

<sup>1</sup>The expense of occupying a building, whether rented or owned.

<sup>2</sup>Not included in totals; shown for information only.

<sup>3</sup>Based upon managers wages account. It does not include all of net income before taxes.



## ATTITUDE TOWARD INCREASING SALES

Only 40 percent of the florists interviewed desired to increase the total volume of their business, and most of this group had no desire to increase it by more than 25 percent. The distribution of responses to the question, "How much increase would you like to have in your total volume of business annually?" is given in Table 12.

The only method by which the majority desired to increase their volume of business was by increasing the number of low-volume, high markup sales. Some were willing to try this by special cash-and-carry sales or by giving a discount on such sales, while only two florists were interested in developing an increased volume of business through low markup volume selling. The general attitude, however, was that greater profits were desirable only if the same type of business could be developed, and preferably without increasing store traffic or the number of orders taken or processed by the shop.

The distribution of responses to the question, "To gain this increase, which of the following methods would you be willing to explore, if necessary?" is given in Table 13. All agreed with some of the methods which could be employed to increase the volume of business, but only four of five now are using any of these methods. Although a majority of the others said they would like to try some of these methods of increasing business, none had any plans for putting any of these procedures into practice.

This nonaggressive attitude toward increasing sales may be due to the fact that 84 percent of those interviewed had enjoyed an increase in business during the past 3 years, and only 9 percent had a decrease.

About 30 percent of the interviewees were willing to employ additional help to increase their volume, but only about 16 percent were willing to raise salaries in order to secure more efficient help. Only 16 percent were willing to increase their advertising budget.

TABLE 12. DISTRIBUTION OF RESPONSES TO QUESTION, "HOW MUCH INCREASE WOULD YOU LIKE TO HAVE IN YOUR TOTAL VOLUME OF BUSINESS ANNUALLY?"

Percent of increase in business	Percent of florists
5	7.4
10 to 15	26.0
25	40.7
50	18.5
75	
100	7.4

TABLE 13. DISTRIBUTION OF RESPONSE TO QUESTION, "TO GAIN THIS INCREASE, WHICH OF THE FOLLOWING METHODS WOULD YOU BE WILLING TO EXPLORE, IF NECESSARY?"

Method	Number of florists giving replies
Increase volume of high markup low-volume sales	24
Increase total value of sales by increasing volume of sales at lower markup	2
Employ more personnel if needed	13
Conduct cash-and-carry or special sales	15
Establish a discount for all cash and carry purchases	14
Increase your advertising budget	8
Raise salaries or assist in conducting a training program to secure more efficient employees	8
Purchase in larger quantities on a strictly cash basis to reduce costs	6

These results indicate that the average retail florist is not interested in increasing the volume of his sales of flowers for personal use, which holds the greatest opportunity for expansion. Yet, they are willing to devote greater efforts and expenditures to develop that portion of the business which has the least possibility for expansion.

## Conclusions

### PROBLEMS OF INDIVIDUAL FLORISTS

Some problems follow which confront individual retail florists in Texas in their efforts to sell floral products.

*Purchasing Procedures.* Buying merchandise is one of the most important and most difficult practices involved in operating a retail store. The skillful buying of flowers and plants requires a great deal of study as well as considerable experience. In general, personal visits to wholesale flower markets and greenhouses are necessary if the retailer is to be well informed about actual price conditions and the quality of merchandise available. Only a well-informed retailer can operate a profitable business in a highly competitive market such as retail flowers and plants.

*Adequate Record Keeping.* This study showed an almost complete lack of adequate records necessary for profitable business management practices. One of the major objectives of the study was to develop, if possible, an accurate survey of the operation costs of retail flower shops in Texas.

Although record keeping is time consuming, a successful business should have enough accurate cost information to determine how these costs could

be reduced by eliminating unnecessary operations and other profit-consuming leaks. Some method of stock records and stock control should be kept to assist the retailer in buying and selling his merchandise at a profit. This problem is one that each retailer can solve only for himself by examining his own operation, and which must be solved before he can obtain assistance in developing a greater profit from his business operation.

*Lack of Knowledge of Developments.* Keeping informed is particularly important in the retail florist business because new ideas and practices in growing, selling and marketing of flowers are being developed at ever-increasing rates.

Being well informed is a good merchandising practice. Satisfying the desires of the consumers for accurate and timely information about floral products can help the retailer to attract consumers and expand his business.

*Obtaining Fresh Cut Flowers.* The problem of obtaining fresh cut flowers stems partly from the fact that most of the flowers available must be transported great distances from the area of production, and frequent unpacking and repacking, handling and trans-shipping are involved. This problem is further accentuated because high transportation charges now in effect by all common carriers tend to increase the price in Texas wholesale markets.

The reduction in quality may be caused by excessive handling and improper storage of cut flowers. Because local production of cut flowers is inadequate, wholesalers must make purchases a number of days in advance to assure adequate supplies at the time they will be needed. This problem affects the retail florist as well as the entire florist industry in the State. Expansion of sales by retailers depends greatly on consumer satisfaction, and it is extremely difficult to achieve continued consumer satisfaction when top quality merchandise is not always available. This problem is especially important during holiday periods.

*Delivery.* Delivery is probably one of the most costly items in the operation of a retail flower shop; however, accurate costs were exceedingly hard to determine because of inaccurate records. The interviewers thought that costs were higher than the average retailer estimated. This problem has increased considerably in most Texas communities during recent years because of the rapid expansion of urban areas, the rising operating cost of trucks and the increasing wages of skilled drivers.

The delivery problems of retail florists are more acute than those of most retailers because the perishability of the product sets definite limits on the length of time a delivery truck can be out. In addition, the customer can specify the delivery time.

*Attitudes of Florists Toward Their Businesses.* A lack of enthusiasm toward building a better and more profitable business through individual efforts was the last and, perhaps, the most significant problem observed. This is not true of the most successful and profitable operators.

## RELATIONSHIP OF BUSINESS PRACTICES TO INDUSTRY CHANGES

Changes in both supply and demand have occurred recently in the horticultural specialties industry. Transportation developments have significantly changed the time-distance relationships which determined the geographical distribution of supply areas in relation to market areas. New supply areas compete in most geographic markets in the United States. This has resulted in an increased quantity being available in most wholesale markets and a consequent decrease in wholesale prices. There has been a decrease in the traditional demand for the use of flowers at funerals and for gifts. Under these new market conditions, an increased total consumer demand for flowers and plants must be developed to maintain and improve the profit of firms at all levels of production and marketing. A large part of the merchandising activity should be carried out at the retail level. The increased demand cannot be expected to come from the traditional uses of flowers; therefore, it will be necessary to develop new uses.

Marketing research indicates that there is a potential demand for flowers in smaller sizes for home use if the selling price is low enough. However, to convert this potential demand into effective demand will require aggressive merchandising by the entire industry. There is no well-established custom in this country of using flowers consistently in the home, and such customs usually require considerable time to develop. Retailers should understand that this type of demand is for flowers only. It does not include additional costly services, such as floral make-up, credit and delivery, which are now a normal part of the retail florists' operation.

The retail florists have made little effort to expand their flower sales for personal use. This study indicates that most retailers show little interest in such an expansion. The policies of most retail florists, as with regard to record keeping, general



merchandising, promotion practices and pricing, need to be re-evaluated before they can go into a business of low price, high-volume sales. Retailers of other types of merchandise have found that moving into this type of selling requires an efficient operation in every department of the business.

Merchandising practices should encompass the entire business: the appearance and location of the shop, the attitude of sales people and the methods of displaying an item and its price.

If the present group of retail florists does not attempt to expand the volume sales of flowers for personal use, growers and wholesalers may tend to find new retail outlets either in existing retailers accustomed to handling volume sales or possibly the development of new volume retail floral outlets. This conceivably could lead to a further con-

centration of retail sales in a relatively few large companies. Developments in the retailing of other products have demonstrated that the large volume, low-price retail outlets find it relatively easy to capture the sales of high-priced items and, thus, to dominate the entire retail distribution of a given commodity.

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